



JOHN W. McCULLOUGH
Senior Vice President,
CFO and Secretary-Treasurer

MEMPHIS LIGHT, GAS AND WATER DIVISION 3 37

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TN REGULATORY AUTHORITY
DOCKET ROOM

March 20, 2003

VIA FEDERAL EXPRESS

Ms. Patsy Fulton
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0505

Re: Memphis Networx, LLC (Docket #03-00071)

Dear Ms. Fulton:

Enclosed is the annual report compiled by Memphis Light, Gas and Water for the period August 2001 through December 2002.

Please contact us if you have any additional questions or need additional information or documentation. You may reach me at 901/528-4311 or Dana Jeanes at 901/528-4498.

Sincerely,

John W. McCullough
Senior Vice President,
CFO and Secretary-Treasurer

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Enclosure

c: Memphis Networx, LLC

March 20, 2002

ANNUAL REPORT
August, 2001 through December, 2002
Docket #03-00071

1. Functions of MLGW's Telecommunications Division

At the current time, the functions of Memphis Light, Gas and Water Division's Telecommunications Division are the contribution of capital to Memphis Network, LLC and the administration of this investment. Certain MLGW expenses related to these activities are allocated to the Telecommunications Division and are detailed in this report.

2. Amount and Types of Costs Allocated to MLGW's Telecommunications Division

Below is the allocation of miscellaneous general and maintenance costs, direct charges associated with MLGW's Telecommunications Division and the application of overheads incurred August 2001 through December 31, 2002.

MLGW Cost Allocated To Telecommunications Division

	<u>08/01 - 12/01</u>	<u>01/02 - 12/02</u>
Allocation of Common Costs	\$ 4,131.86	\$ 7,003.28
Labor	33,366.14	68,780.53
Legal	69,725.13	3,929.79
Travel	542.53	2,127.90
Horrell Communications	23,782.00	57,076.80
Total	<u>\$ 131,547.66</u>	<u>\$ 138,918.30</u>

3. Cost Allocation Methodology

Allocation of Common Costs - Expenses not covered in categories below including office space (based on square footage), maintenance and general expenses (based on square footage and number of employees), cellular phone expenses, car allowances, etc. (All are also based on percentage of time employees devoted to telecommunications activities.)

Labor - Percentage of time employees allocated to telecommunications activities (based on number of hours) with an employee benefits loading applied

Legal - Outside professional services procured related to telecommunications activities

Travel - Car rental, airfare, lodging, meals, parking fees, etc. associated with telecommunications activities

Horrell Communications - Consulting firm services

Administrative and General Expenses - Standard 3.4% applied to total of each above categories

4. Tariffed Services Provided by MLGW to Memphis Networkx, LLC

MLGW has provided electric and gas utility services to Memphis Networkx, LLC since 12/13/01. Electric and gas services are billed on a monthly basis according to the applicable rate schedules for commercial customers within the same rate classification. MLGW currently retains a security deposit of \$790.00 paid by Memphis Networkx, LLC in accordance with our present credit policy.

5. Tariffed Services Amounts Billed by MLGW to Memphis Networkx, LLC

Below are the total dollar amounts for electric and gas utility services billed to Memphis Networkx, LLC for December 2001 through December 31, 2002.

Tariffed Service and Amounts Provided by MLGW to Memphis Networkx		
	12/01	1/02-12/02
Electric	\$ 533.15	\$ 19,805.17
Gas	194.09	2,326.16
Total	\$ 727.24	\$ 22,131.33

6. Non-tariffed Services Provided by MLGW to Memphis Networkx, LLC

MLGW has provided make ready work and engineering services to Memphis Networkx, LLC as well as pole attachment and conduit rental services (joint use billing).

7. Non-tariffed Services Amounts Billed by MLGW to Memphis Networkx, LLC

Below are the total dollar amounts for make ready work and engineering along with the joint use billing charges billed to Memphis Networkx, LLC for August 2001 through December 31, 2002.

Non-Tariffed Service and Amounts Provided by MLGW to Memphis Networkx		
	08/01 - 12/01	01/02 - 12/02
Make Ready Work & Engineering*	\$ -	\$ 268,937.44
Joint Use Billing	-	117,952.66
Total	\$ -	\$ 386,890.10

*Make Ready Work & Engineering - Includes design and construction work to accommodate Memphis Networkx's use of poles and conduit owned by MLGW.

8. Price Determination Method of Services Provided to Memphis Networkx, LLC

Tariffed - The prices of electric and gas services provided by MLGW to Memphis Networkx, LLC are set out in the MLGW Electric (E-2) General Power Rate and Gas (G-7) Small General Service Rate Schedules (attached).

Non-tariffed - Charges for make ready and engineering services are based on actual cost. MLGW and Memphis Networkx, LLC agreed that charges for pole attachment/conduit use would be the highest rates charged to any other entity in accordance with the TRA Ruling. Due to the timing of the annual escalation clauses in the various contracts, Memphis Networkx has, at times, been charged a rate slightly lower than the highest rate billed. Steps are being taken to ensure that Memphis Networkx consistently pays the highest rate. Prior period adjustments will be made as necessary.

9. Services Provided to MLGW by Memphis Networkx, LLC

Memphis Networkx, LLC does not provide any service to MLGW at the present time.

10. Amounts Billed to MLGW by Memphis Networkx, LLC

None at the present time.

11. Price Determination by Memphis Networkx, LLC For Services Provided to MLGW

None at the present time.

MEMPHIS LIGHT, GAS AND WATER DIVISION
CITY OF MEMPHIS

ELECTRIC SERVICE

SCHEDULE GSA
(Code E-2)

GENERAL POWER RATE - PART A

AVAILABILITY

This rate shall apply to the firm power requirements (where a customer's contract demand is 5,000 kW or less) for electric service to commercial, industrial, and governmental customers; institutional customers including, without limitation, churches, clubs, fraternities, orphanages, nursing homes, rooming or boarding houses, and like customers. This rate shall also apply to customers to whom service is not available under any other resale rate schedule.

Electricity supplied under this rate schedule is for the exclusive use of the Customer and shall not be resold or shared with others.

CHARACTER OF SERVICE

Alternating current, single or three-phase, 60 hertz. Power shall be delivered at a service voltage available in the vicinity or agreed to by Division.

BASE CHARGES

1. If (a) the higher of (i) the customer's currently effective contract demand, if any, or (ii) its highest billing demand during the latest 12 month period is not more than 50 kW, and (b) customer's monthly energy takings for any month during such period do not exceed 15,000 kWh:

Customer Charge: \$9.06 per delivery point per month

Energy Charge: \$.06662 per kWh

2. If (a) the higher of (i) the customer's currently effective contract demand or (ii) its highest billing demand during the latest 12 month period is greater than 50 kW but not more than 1,000 kW, or (b) if the customer's billing demand is less than 50 kW and its energy takings for any month during such period exceed 15,000 kWh:

Customer Charge: \$9.06 per delivery point per month

Demand Charge: First 50 kW of billing demand per month, no demand charge
Excess over 50 kW of billing demand per month, at \$10.04 per kW

Energy Charge: First 15,000 kWh per month at \$.06662 per kWh
Additional kWh per month at \$.03241 per kWh

3. If the higher of the customer's currently effective contract demand or its highest billing demand during the latest 12 month period is greater than 1,000 kW:

Customer Charge: \$9.06 per delivery point per month

Demand Charge: First 1,000 kW of billing demand per month, at \$9.56 per kW
Excess over 1,000 kW of billing demand per month, at \$10.59 per kW, plus an additional

\$10.59 per kW per month for each kW, if any, of the amount by which the customer's billing demand exceeds the higher of 2,500 kW or its contract demand

Energy Charge: \$.03314 per kWh per month

ADJUSTMENT

The base demand and energy charges shall be increased or decreased in accordance with the current Adjustment Addendum published by TVA. (In addition, such charges shall be increased or decreased to correspond to increases or decreases determined by TVA in the value of the hydro generation benefit allocated to residential customers.)

DETERMINATION OF DEMAND

Division shall meter the demand in kW of all customers having loads in excess of 50 kW. The metered demand for any month shall be the highest average during any 30-consecutive-minute period of the month of the load metered in kW. The measured demand for any month shall be the higher of the highest average during any 30-consecutive-minute period of the month of (a) the load metered in kW or (b) 85 percent of the load in kVA plus an additional 10 percent for that part of the load over 5,000 kVA, and such measured demand shall be used as the billing demand, except that the billing demand for any month shall in no case be less than 30 percent of the higher of the currently effective contract demand or the highest billing demand established during the preceding 12 months.

MINIMUM MONTHLY BILL

The monthly bill under this rate schedule shall not be less than the sum of (a) the base customer charge, (b) the base demand charge, as adjusted, applied to the customer's billing demand, and (c) the base energy charge, as adjusted, applied to the customer's energy takings; provided, however, that, under 2 of the Base Charges, the monthly bill shall in no event be less than the sum of (a) the base customer charge and (b) 20 percent of the portion of the base demand charge, as adjusted, applicable to the second block (excess over 50 kW) of billing demand, multiplied by the higher of the customer's currently effective contract demand or its highest billing demand established during the preceding 12 months.

Division may require minimum bills higher than those stated above.

SEASONAL SERVICE

Customers who contract for service on a seasonal basis shall be limited to 2,500 kW and shall pay the above charges, as adjusted, plus an additional seasonal use charge equal to (1) \$.0136 per kWh per month under 1 of the Base Charges, (2) the sum of \$.0136 per kWh for the first 15,000 kWh per month and \$4.07 per kW per month of billing demand in excess of 50 kW under 2 of the Base Charges, and (3) \$4.07 per kW per month of billing demand under 3 of the Base Charges. Consistent with Division's standard policy, the customer may arrange for seasonal testing of equipment during offpeak hours.

For such customers, the exception language under the Determination of Demand section, and the minimum bill provided for above, shall not apply. Division may require additional charges to provide recovery of costs for customer-specific distribution facilities.

CONTRACT REQUIREMENT

Division may require contracts for all service provided under this rate schedule. Customers whose demand requirements exceed 50 kW shall be required to execute contracts. The contract shall be for an initial term of one year extended automatically from year to year thereafter. After the initial term the contract may be terminated upon not less than 90 days notice. The customer shall contract for its maximum requirements, which shall not exceed the amount of power capable of being used by customer, and Division shall not be obligated to supply power in greater amount at any time than the customer's currently effective contract demand. If the customer uses any power other than that supplied by Division under this rate schedule, the contract may include other special provisions. The rate schedule in any power contract shall be subject to adjustment, modification, change, or replacement from time to time as provided under the power contract between Division and TVA.

PAYMENT

Above rates and charges are net. In the event that any bill is not paid on or before the delinquent date shown on bill, there shall be added to the bill an amount equal to 5 percent on the first \$250.00 of the bill plus one percent on any portion of the bill exceeding \$250.00; to any amount remaining unpaid 30 days after the delinquent date of the bill, there shall be added a penalty of one percent, and an additional one percent shall be added at the end of each successive 30-day period until the amount is paid in full.

SINGLE-POINT DELIVERY

The charges under this rate schedule are based upon the supply of service through a single delivery and metering point, and at a single voltage. If service is supplied to the same customer through more than one point of delivery or at different voltages, the supply of service at each delivery and metering point and at each different voltage shall be separately metered and billed.

Service is subject to Rules and Regulations of Division.

Effective November 4, 1996

MEMPHIS LIGHT, GAS AND WATER DIVISION
CITY OF MEMPHIS

GAS SERVICE

SCHEDULE G-7
SMALL GENERAL SERVICE

AVAILABILITY

This rate schedule is available for gas service to all gas Customers except to a residential Customer for use in an individual residence or other individual dwelling units.

Availability of gas under this rate schedule is subject to curtailment in the event of any curtailment of the Division's supply of gas.

Gas supplied under this rate schedule is for the exclusive use of the Customer and shall not be resold.

MONTHLY RATE (Ccf equals 100 Cubic Feet)

SERVICE CHARGE: \$6.73 per month plus,

ALL GAS CONSUMED: \$0.4661 per Ccf per month plus,

PURCHASED GAS ADJUSTMENT RIDER

The above rates are subject to adjustment under the provisions of the Purchased Gas Adjustment Rider.

MINIMUM BILL

The minimum bill shall be \$.5910 for each Ccf of the higher of: (1) The Maximum Daily Demand during the preceding eleven (11) months, or (2) the Daily Contract Demand, but in no case less than \$6.73.

MAXIMUM DAILY DEMAND

The Maximum Daily Demand shall be defined as the maximum twenty-four (24) hours' use of gas during the current month. The Maximum Daily Demand shall be determined at the option of the Division according to one of the following methods:

1. By estimate -- one-twentieth (1/20) of the current monthly consumption
2. By actual test
3. By demand meter

PAYMENT

The above rates are net, the gross rates being 5% higher. In the event the current monthly bill is not paid on or before delinquent date shown on the bill, the gross rates shall apply.

CONTRACT REQUIREMENT

Customers taking service under this rate schedule and having a Daily Demand of 500 Ccf or greater shall be required to execute written contracts.

SINGLE POINT DELIVERY

The above rates are based upon the supply of service to the Customer's premises through a single delivery and metering point, and at a single pressure. Separate supply for the same Customer at other points of consumption, or at different pressures, shall be separately metered and billed.

VOLUMETRIC RESTRICTIONS

The Division reserves the right to require a new contract from any Customer whose Maximum Daily Demand is less than his Contract Demand, and further reserves the right to prohibit the addition of any loads in excess of present loads or present Contract Demands without prior Division approval. Any Customer who violates these restrictions may be required to remove the excess load requirements or have full service discontinued.

RULES AND REGULATIONS

Service is subject to the Rules and Regulations of the Division.